Improving Access to Housing Amid Exclusionary Housing Markets: A Latin American Viewpoint of the Moving to Work Demonstration

Adriana Hurtado-Tarazona
Cider, Universidad de los Andes

Undertaking a retrospective look at the Moving to Work (MTW) demonstration—a diverse and ambitious policy demonstration, applied by different agencies and in diverse sociospatial and socioeconomic contexts—is a valuable effort for the analysis and improvement of public policies. In this sense, the articles in this symposium are immensely informative. Although the initiatives included in MTW are complex, and sometimes difficult to understand from an international perspective, the articles of this collection help not only to understand the U.S. initiative, but also to open an opportunity for knowledge transfer. Within the symposium, the essay on the Rent Reform Demonstration (Riccio, this volume) is especially enlightening because decisionmaking processes in public policy are crucial for understanding and replicating interventions, and this information is seldom published. Getting to know the discarded alternatives, and the reasons for doing so, opens an opportunity to analyze policy decisions based on the particular contexts and conditions for implementations, instead of what is more common: to state “best practices” or recipes for success that end up being replicated in disparate contexts (Angotti and Irazábal, 2017).

How can the United States’ experience work with housing policy in other regions such as Latin America? At first sight, the realities are so different that trying to make connections would be a fruitless venture. Taking into account the broader context of global transformations of housing markets and policies, however, one could identify common challenges and analyze how different policy approaches have met, or not met, the ultimate goal: to guarantee the right to housing for all.

This commentary is an attempt to assess the MTW demonstration from a Latin American perspective. First, I will mention some aspects of the broad context of housing policy in Latin America, and then I will comment on what the articles of the symposium state about two of the three main objectives of MTW, contrasting them with some experiences from Latin America and Colombia.

Housing policy in the United States mirrors global transformations that started during the last decades of the 20th century, which allows us to identify common elements with other regions of the world. The reforms of the Clinton Administration that led to MTW followed the logic of
transitioning toward deregulation and contraction of the welfare states, which generated housing policies geared toward the private sector. In Latin America, this result was achieved—multilateral banks played a prominent role in policy dissemination—through housing policies that replaced public housing construction with partial subsidies for households to buy in the private market, in combination with mortgage credits. This model dramatically reduced the supply of public housing and left social rental housing programs to a marginal role. It also excluded the lowest income households and those who could not demonstrate stable income due to being in precarious jobs, and who, despite qualifying for a subsidy, did not qualify for mortgage credit. Additionally, this market-oriented housing policy resulted in the construction of massive social housing projects in peripheral locations. Building in these peripheral locations created serious problems of accessibility to urban goods and services because they lacked infrastructure. This situation deepened the processes of sociospatial segregation and exclusion (Hurtado-Tarazona, Álvarez-Rivadulla, and Fleischer, 2020).

The social rental programs that currently exist in the region are mainly rental subsidies for young households (Chile and Argentina)—conceived as a first step to buying a home—and forms of leasing or leases with an option to purchase (Brazil and Colombia) (Blanco, Fretes Cibilis, and Muñoz, 2014). In most countries in the region, these are incipient efforts or programs that receive very few resources compared with programs that promote the construction of new housing. Also, with exceptions such as a social rental program in São Paulo, Brazil, in which the units are publicly owned and rent is set at between 10 and 15 percent of household income, the majority operate in the private housing market and are subject to rental price increases in central areas.

Unlike the Latin American case, however, this symposium demonstrates the continuity of a rental policy amid the neoliberalization and financialization of housing. These conditions are especially relevant today; predatory rental markets are being documented throughout the world and show that, increasingly, more households are being excluded from the possibility of accessing quality and well-located housing. In the context of the COVID-19 pandemic, it has become clear that access to adequate housing is crucial for sustaining social life and that continuing to develop fair rental housing policies should be a priority for governments and housing authorities.

In the next paragraphs, I would like to comment on two of the MTW objectives that resonate with some initiatives in Latin America and Colombia: to promote the self-sufficiency of assisted households and to increase housing choice for low-income families.

**Assisting Households while Promoting Self-Sufficiency**

One of the main concerns of several of the articles in this symposium is to promote self-sufficient households: to avoid the circumstance that obtaining a subsidy may discourage a household from searching for a job to maintain or increase household income for fear of losing benefits. The article by Nina Castells (this volume) tests this assumption, reviewing a case in which the rent burden was increased from 30 to 35 percent of household income. Castells evaluated employment and income conditions of these households after 4 years. The study found that households absorbed this rent increase without increasing their income or improving their employment conditions, giving priority to rent payment over other expenses. This situation has some similarities with that of
low- and middle-income households in Colombia. The households in Colombia received a subsidy to become homeowners and ended up absorbing the additional costs of moving to peripheral, inaccessible housing, without experiencing an increase of their incomes (Hurtado-Tarazona, 2019).

To promote self-sufficiency without putting a strain on households' economic situations, and to make it possible for them to truly capitalize on any improvement in their income and working conditions, the Rent Reform Demonstration (Riccio, this volume) tested a policy that incentivizes income growth by maintaining rent rates for 3 years without adjustment. This policy gives households a margin for increasing their income without paying more rent. The policy challenge here is to incentivize households to depend less on subsidies while protecting those households that may need more help at any moment for a loss of income.

To promote household self-sufficiency, other alternatives exist beyond calculating rent rates according to income. Some Latin American countries have implemented time limits for subsidies. In Chile, the rental subsidy is given to households for 8 years, during which time they must save a minimum monthly amount to acquire their own home. In Colombia, a new rental program grants a monthly rent subsidy of around $150 (USD) for 24 months, during which time households must save for the downpayment of a Vivienda de Interés Social (privately developed social housing, which has a price cap to maintain affordability). Although this type of program may promote self-sufficiency due to the obligation to demonstrate monthly savings, not enough evidence demonstrates the efficiency of these programs. Additionally, they disregard rental housing as a long-term housing option because they are conceived as a step to homeownership, and this may not meet the needs or aspirations of some households.

An additional aspect to take into account regarding household self-sufficiency is the ability of these programs to react to crises or situations, such as the current health and economic emergency related to the COVID-19 pandemic. Households benefiting from this type of program, many of which are subject to precariousness and job instability, are especially vulnerable to economic crises. Thus, the need for policy interventions to adapt for households with diverse needs and situations leads us to the next MTW objective regarding housing choice.

**Increasing Housing Choice and Reducing Sociospatial Segregation**

Housing location is an attribute of adequate housing that is related both to accessibility criteria (transport and proximity to urban facilities, goods, and services) and to issues of social integration (to avoid exclusion and segregation). The question of whether to tie rental vouchers to specific projects and locations is a relevant question, not only for the implementation of specific housing programs but also for broader discussions on the right to the city (Lefebvre, 1996), or granting equitable access to urban infrastructure, services, and amenities. The implementation of Project-Based Vouchers (PBVs)—as documented by Galvez et al. (this volume), specifically in their research question 4—shows that tying rent vouchers to specific projects (although it may seem contradictory to the objective of increasing housing choice) could be a way to overcome the barriers of housing markets that are socially and spatially exclusive. To do so, however, the
housing policy would have to meet additional requirements, not all of which lead to cost-effective interventions, as I will show.

In several Latin American countries, including Colombia, the rate of the rental subsidy is calculated based on the housing unit price—not on household income. This calculation means that subsidized households can only access homes in a certain price range, which generally turns out to be peripheral homes in large-scale housing projects. For both purchase and rental subsidies, the label “social housing,” which in principle means only a price cap, as I mentioned previously, translates into spatial limits in cities, especially in those with higher land prices. This situation seems to be similar to that of some applications of the PBV, according to the studies included in the article; those studies indicate that some PBVs tend to be concentrated in higher poverty neighborhoods compared with the average incomes of their counties and even in some comparisons with the tenant-based voucher (TBV) program. The evidence collected shows that this intervention has failed to reverse processes of territorial stigmatization and sociospatial segregation. They also found, however, that “PBV households at MTW agencies live in neighborhoods with higher educational attainment and lower transportation costs in comparison to both TBV and public housing households” (Oneto et al., 2020). This points to some opportunities for improvement. If the selection of projects to implement PBV is defined with additional criteria in terms of location, accessibility, and quality of the environment (for example, access to schools, social infrastructure, public spaces, and parks), such an approach could mitigate segregation, stigmatization, and housing discrimination. Of course, this would be a more costly alternative, especially in areas with expensive housing markets. This leads me to a final remark regarding the cost-effectiveness of policy interventions.

Conclusion

Policy interventions need to be assessed not only internally, regarding their objectives, interventions, and resources, but also regarding the general context of the housing market in which they operate. In the context of housing financialization (Rolnik, 2013), part of the cost-effectiveness goal of interventions would be to avoid an excessive increase in rent. In various regions of the world, these excessive increases are produced by “predatory” agents like corporate landlords, private equity funds, and real estate investment funds (Aalbers, Rolnik, and Krijnen, 2020), which, in some areas, capture much of the rental housing stock and make them unaffordable. In countries like Colombia, the role of the state in housing financialization makes any subsidy-based policy intervention more expensive, which ends up transferring public funds to private agents. A rental housing program for low-income households could encourage self-sufficiency, increase housing choice, and even be more cost-effective if it is implemented alongside broader measures (like rent regulations) to overcome some of the barriers of the housing market in general.

Acknowledgments

The author would like to thank Malena Rinaudo for her help in reviewing Latin American experiences on rental housing programs.
Improving Access to Housing Amid Exclusionary Housing Markets: A Latin American Viewpoint of the Moving to Work Demonstration

Author

Adriana Hurtado-Tarazona is an assistant professor at Cider, Universidad de los Andes in Bogotá, Colombia, and can be reached by email at a.hurtado10@uniandes.edu.co.

References


